



# WEEKLY ECONOMIC DIGEST

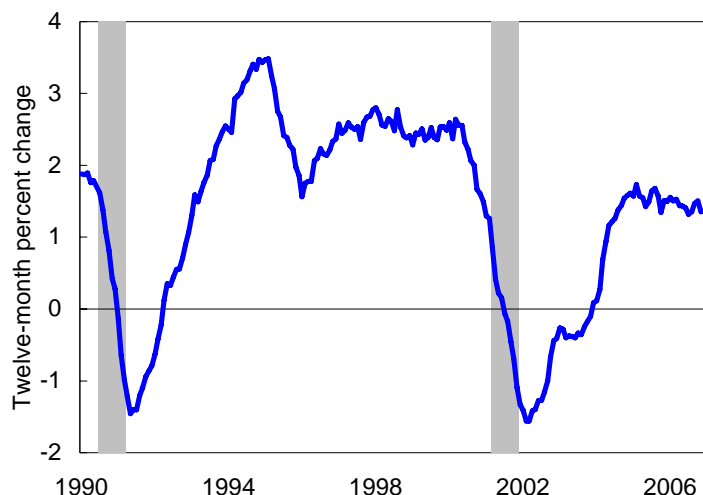
JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF  
SENATOR CHARLES E. SCHUMER (D-NY)



January 9, 2007

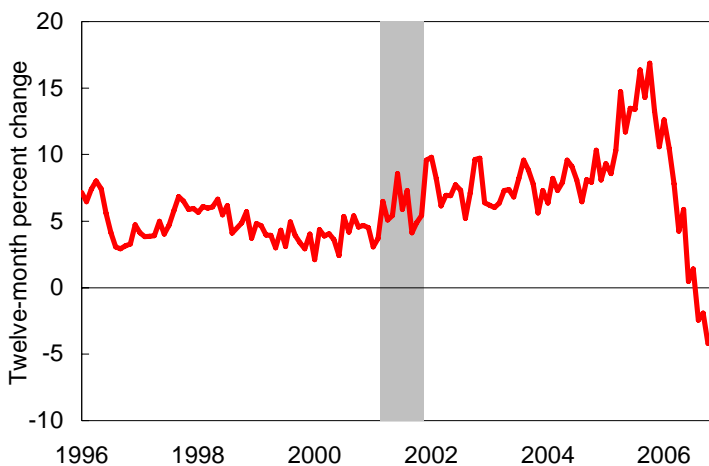
## Solid December Job Gains May Not Be Sustained If Subpar Economic Growth Continues

Change in Nonfarm Payroll Employment



Source: Bureau of Labor Statistics, U.S. Department of Labor; and National Bureau of Economic Research.

Median Sales Price of Existing Single-Family Homes



Source: National Association of Realtors and National Bureau of Economic Research.

Note: The gray areas indicate periods of recession as defined by the National Bureau of Economic Research.

- **Payrolls posted solid gains in December.** Payroll employment at nonfarm establishments rose by 167,000 jobs last month. That gain was higher than the 115,000 jobs financial markets had expected. Payroll employment was 1.4 percent higher last month than a year earlier, but still below the 12-month growth rates experienced during the expansion of the 1990s (see top chart).
- **The unemployment rate was unchanged last month.** The civilian unemployment rate remained at 4.5 percent in December. The percentage of the population either working or looking for a job edged up by 0.1 percentage point to 66.4 percent, but that is still 0.8 percentage point below the labor force participation rate in March 2001 when the recession began. The percentage of the population that is employed also rose by 0.1 percentage point, to 63.4 percent. That is 0.9 percentage point below the March 2001 level.
- **Home sales edged up slightly in November but remain weak.** Sales of new and existing single-family homes rose by 0.7 percent in November to 6.567 million units at an annual rate. Even so, sales were 11.1 percent below a year earlier. The median sales price of existing single-family houses was \$217,000 in November, or 3.6 percent below the price a year earlier (see bottom chart).
- **The third-quarter growth rate was revised down.** Real (inflation-adjusted) gross domestic product (GDP) grew at an annual rate of 2.0 percent in the third quarter, below the 2.2 percent pace the Department of Commerce had previously estimated. The third-quarter growth rate is down from 2.6 percent in the second quarter and well below the 3 to 3½ percent range thought to be necessary to keep the unemployment rate from rising over the long term. Most analysts expect economic growth to remain below its trend pace through at least the first half of this year.

The Economy at a Glance	Dec	Nov	Oct	Sep	2006 Qtr 4	2006 Qtr 3	2006 Qtr 2	2006 Qtr 1	2006	2005
<b>Economic Activity</b>										
Real GDP (% growth)	—	—	—	—	n.a.	2.0	2.6	5.6	n.a.	3.2
Industrial Production (% growth)	n.a.	2.4	0	-4.7	n.a.	4.0	6.5	5.0	n.a.	3.2
Capacity Utilization (level, %)	n.a.	81.8	81.8	82.0	n.a.	82.3	82.0	81.2	n.a.	80.2
Civilian Unemployment Rate (level, %)	4.5	4.5	4.4	4.6	4.5	4.7	4.7	4.7	4.6	5.1
Housing Starts (thousands)	n.a.	1588	1488	1724	n.a.	1714	1873	2123	n.a.	2073
Real Disposable Personal Income (% growth)	n.a.	3.3	5.3	10.8	n.a.	4.1	-1.5	4.6	n.a.	1.2
Retail Sales (% growth)*	n.a.	13.2	-0.8	-6.9	n.a.	3.7	3.3	13.2	n.a.	7.2
Personal Saving Rate (level, %)	n.a.	-1.0	-0.7	-0.7	n.a.	-1.2	-1.4	-0.3	n.a.	-0.4
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, all items (% growth)	n.a.	0	-5.8	-5.8	n.a.	2.9	5.0	2.2	n.a.	3.4
Core CPI-U Inflation (% growth)	n.a.	0	1.2	2.4	n.a.	3.0	3.5	2.4	n.a.	2.2
Compensation per hour (% growth)	—	—	—	—	n.a.	4.1	3.6	2.4	n.a.	3.3
Output per hour (% growth)	—	—	—	—	n.a.	0.2	1.2	4.3	n.a.	2.3
<b>Financial Markets</b>										
T-bill Rate, 3-month (level, %)	4.85	4.94	4.92	4.81	4.90	4.91	4.70	4.39	4.73	3.15
T-note Rate, 10-years (level, %)	4.56	4.60	4.73	4.72	4.63	4.90	5.07	4.57	4.80	4.29
Federal Funds Rate (level, %)	5.24	5.25	5.25	5.25	5.25	5.25	4.91	4.46	4.97	3.22
Dow Jones Industrial Avg (index level)	12378	12185	11963	11534	12175	11274	11189	10996	11409	10548

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for civilian workers. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

\* Subject to revision over the next week.

### Upcoming Economic Releases:

- **U.S. International Trade in Goods and Services: November 2006** [Release: Wednesday, January 10]
- **Monthly Wholesale Trade: Sales and Inventories, November 2006** [Release: Wednesday, January 10]
- **Monthly Treasury Statement of Receipts and Outlays of the U.S. Government: December 2006** [Release: Thursday, January 11]
- **U.S. Import and Export Price Indexes: December 2006** [Release: Friday, January 12]
- **Advance Monthly Sales for Retail and Food Services: December 2006** [Release: Friday, January 12]
- **Manufacturing and Trade Inventories and Sales: November 2006** [Release: Friday, January 12]